

**HOLLINGS STATEMENT - MEDIA CONCENTRATION HEARING,
JULY 17, 2001**

TODAY WE TEST THE CLAIMS OF THOSE WHO WOULD FURTHER CONSOLIDATE THE MEDIA MARKETPLACE. WE WILL HEAR FROM TWO BALANCED PANELS WHO WILL DEBATE WHETHER OUR CHANGED MEDIA LANDSCAPE WARRANTS THE REPEAL OR RELAXATION OF TWO EXISTING, SENSIBLE RESTRICTIONS ON MEDIA OWNERSHIP -

- THE 35 PERCENT NATIONAL TELEVISION BROADCAST OWNERSHIP CAP &
- THE NEWSPAPER-BROADCAST CROSS OWNERSHIP RULE.

THE LAST SEVERAL YEARS HAVE WROUGHT UNPRECEDENTED CONCENTRATION IN THE ENTERTAINMENT AND MEDIA INDUSTRIES. AOL AND TIME WARNER HAVE MERGED, VIACOM AND CBS HAVE UNITED, AND TRIBUNE HAS ACQUIRED TIMES MIRROR. THESE TRANSACTIONS AND OTHER CONSOLIDATION IN THE INDUSTRY HAVE *DECREASED, RATHER THAN INCREASED COMPETITION AMONG MEDIA OUTLETS*. YET SOME OF THESE VERTICALLY INTEGRATED ENTERTAINMENT CONGLOMERATES WOULD LIKE TO GROW EVEN BIGGER, AND ARE HERE BEFORE OUR COMMITTEE TODAY SEEKING TO ELIMINATE MORE OF THE REMAINING RESTRICTIONS ON MEDIA OWNERSHIP.

THESE OWNERSHIP RESTRICTIONS ARE BASED ON FACTORS OUTSIDE THE BOUNDS OF A TRADITIONAL ANTITRUST ANALYSIS. FOR EXAMPLE, THE NATIONAL BROADCAST OWNERSHIP CAP PRESERVES THE BALANCE OF POWER BETWEEN THE NETWORKS AND THEIR AFFILIATES, AND THEREBY SERVES TO PROMOTE LOCALISM AND DIVERSITY IN INDIVIDUAL MARKETS. SIMILARLY, THE NEWSPAPER-BROADCAST CROSS OWNERSHIP RULE ENHANCES THE PROLIFERATION OF DIVERSE, AND SEPARATE POINTS OF VIEW IN INDIVIDUAL MARKETS.

THE REASONS FOR THESE RULES ARE SIMPLE, AND THEY REFLECT THE UNDERPINNINGS OF THE COMMISSION'S STATUTORY PUBLIC INTEREST AUTHORITY. DIVERSITY IN OWNERSHIP PROMOTES COMPETITION. DIVERSITY IN OWNERSHIP CREATES OPPORTUNITIES FOR SMALLER COMPANIES, AND LOCAL BUSINESSMEN AND WOMEN. DIVERSITY IN OWNERSHIP ALLOWS CREATIVE PROGRAMMING AND CONTROVERSIAL POINTS OF VIEW TO FIND AN OUTLET. DIVERSITY IN OWNERSHIP PROMOTES CHOICES FOR ADVERTISERS. AND DIVERSITY IN OWNERSHIP PRESERVES LOCALISM - SO INDIVIDUALS IN TOWNS ACROSS AMERICA ARE AFFORDED ACCESS TO AT LEAST SEVERAL SOURCES FOR THEIR LOCAL NEWS AND INFORMATION.

THE RULES IN QUESTION HAVE ENCOURAGED THE GROWTH OF LOCALLY RELEVANT, INDEPENDENT PROGRAMMERS AND DISTRIBUTORS OF MEDIA CONTENT. THESE CRITICALLY IMPORTANT, INDEPENDENT VOICES ENERGIZE OUR CIVIC DISCOURSE AND HELP SEPARATE OUR NATION FROM THOSE THAT PROHIBIT THE FREE FLOW OF INFORMATION. AND YET, WE ARE HAVING THIS HEARING TODAY, BECAUSE THE RULES ARE UNDER ATTACK -

(1) FROM AN INSATIABLE INDUSTRY THAT IS UNSATISFIED WITH THE TREMENDOUS CONSOLIDATION THAT HAS ALREADY TAKEN PLACE.

(2) IN THE COURTS FROM JUDGES WHO APPEAR TO BE IGNORING SUPREME COURT PRECEDENT ABOUT THE GOVERNMENT'S STRONG INTEREST IN PRESERVING A "MULTIPLICITY OF INFORMATION SOURCES" IN THE MARKETPLACE.

(3) AND, MOST IMPORTANTLY, AT THE FCC, FROM A COMMISSION THAT SEEMS INTENT ON RELAXING OR ELIMINATING MANY OF THE EXISTING OWNERSHIP RULES WITHOUT REGARD TO THE TREMENDOUS

CONSOLIDATION THAT HAS ALREADY OCCURRED. LAST YEAR
CHAIRMAN POWELL STATED, AND I QUOTE -

"I START WITH THE PROPOSITION THAT THE RULES ARE NO
LONGER NECESSARY AND DEMAND THAT THE COMMISSION
JUSTIFY THEIR CONTINUED VALIDITY."

THAT - MY FRIENDS IS NOT THE LAW. AND THAT IS WHY WE ARE
HAVING THIS HEARING TODAY -- TO SET THE RECORD STRAIGHT. THE
BIENNIAL REVIEW PROCESS WE SET UP IN THE TELECOMMUNICATIONS
ACT OF 1996 DID NOT PRESUME THAT THE OWNERSHIP LIMITS 'ARE NO
LONGER NECESSARY,' AND MUST BE JUSTIFIED TO BE RETAINED. IT
SIMPLY REQUIRES THE FCC TO REVIEW ITS OWNERSHIP RULES IN LIGHT
OF COMPETITION IN THE MARKET AND IN VIEW OF THEIR ONGOING
PUBLIC INTEREST OBLIGATIONS, WHICH REQUIRE THEM TO PROMOTE AND
PROTECT DIVERSITY AND LOCALISM, VALUES RECOGNIZED BY THE U.S.
SUPREME COURT AS SATISFYING A "GOVERNMENTAL PURPOSE OF THE
HIGHEST ORDER."

TO THOSE WHO ADVOCATE FURTHER CONSOLIDATION, I SAY, PROVE
YOUR CLAIMS. THE BURDEN MUST LIE WITH THE PROPONENTS OF
DEREGULATION TO DEMONSTRATE THAT A FURTHER LOOSENING OF THE
BROADCAST OWNERSHIP CAP OR THE NEWSPAPER BROADCAST CROSS
OWNERSHIP RULE WOULD BE CONSISTENT WITH THE PUBLIC INTEREST.

I WOULD PROPOSE A DIFFERENT ROUTE. GIVEN THE
CONSOLIDATION THAT HAS OCCURRED ALREADY, I BELIEVE THAT WE
NEED TO TAKE A BREATH BEFORE PERMITTING FURTHER
CONCENTRATION TO OCCUR. LETS RECALL -

FIRST, THE FCC INSTITUTED THE FINANCIAL INTEREST IN
SYNDICATION RULES (FIN/SYN) IN 1970, THAT IMPOSED

SIGNIFICANT LIMITATIONS ON THE PERCENTAGE OF "IN HOUSE" PROGRAMS THE NETWORKS COULD PRODUCE. THOSE RULES ALSO PREVENTED THE NETWORKS FROM HAVING A FINANCIAL INTEREST IN SYNDICATED PROGRAMMING - ON THE SECOND RUN MARKET.

IN THE LATE 1970S, THE DEPARTMENT OF JUSTICE ENTERED INTO CONSENT DECREES WITH THE MAJOR NETWORKS TO SETTLE LITIGATION DATING BACK TO THE JOHNSON ADMINISTRATION, THAT SOUGHT TO ALSO CURB THE NETWORK'S OWNERSHIP OF IN-HOUSE PROGRAMMING.

IN 1995, THE FCC ELIMINATED THE FIN-SYN RULES, GIVING THE MAJOR BROADCAST NETWORKS THE RIGHT TO OWN AN UNLIMITED AMOUNT OF PROGRAMMING THAT THEY BROADCAST, AND TO SYNDICATE PROGRAMMING BY SELLING IT DIRECTLY TO STATIONS. THE DOJ CONSENT DECREES LAPSED AROUND THE SAME TIME.

A YEAR LATER, IN 1996, CONGRESS RAISED THE BROADCAST OWNERSHIP CAP FROM 25 TO 35 PERCENT ALLOWING COMPANIES LIKE NEWS CORPORATION AND VIACOM TO PURCHASE YET MORE TV STATIONS.

TWO YEARS AGO, IN 1999, THE FCC RELAXED THE DUOPOLY RULES TO ALLOW A SINGLE OWNER TO ACQUIRE TWO TV STATIONS IN SOME OF THE LARGER MARKETS ACROSS THE COUNTRY.

LAST YEAR, TRIBUNE ACQUIRED TIMES MIRROR AND TOOK ADVANTAGE OF THE FCC'S WEAK ENFORCEMENT OF THE NEWSPAPER-BROADCAST CROSS OWNERSHIP RULE. IN PRACTICE, THE FCC HAS ALLOWED THE OWNER OF A BROADCAST STATION TO ACQUIRE A NEWSPAPER IN THE SAME MARKET WITHOUT APPLYING THE RULE UNTIL THE STATION'S BROADCAST LICENSE IS RENEWED, WHICH

CAN BE YEARS LATER.

FINALLY, EARLIER THIS YEAR THE FCC DID AWAY WITH A PORTION OF THE DUAL NETWORK RULE AND PERMITTED VIACOM'S UPN TO EXIST UNDER COMMON OWNERSHIP WITH CBS.

IT IS DIRECTLY BECAUSE OF THESE RULE CHANGES AND LAX FCC ENFORCEMENT THAT WE HAVE THESE MASSIVE, VERTICALLY INTEGRATED COMPANIES LIKE VIACOM AND TRIBUNE WHICH - BECAUSE OF THEIR ABILITY TO PROMOTE AND SHARE THEIR CONTENT AND NEWS PRODUCTS ACROSS MULTIPLE DISTRIBUTION PLATFORMS - ARE IMMENSELY PROFITABLE CORPORATIONS. AND YET TODAY THEY COME BEFORE US AND ASK FOR MORE.

SO WE'VE COME TO A CROSSROADS AND THERE ARE TWO PATHS WE CAN TAKE. ONE LEADS TO FURTHER CONSOLIDATION AND AN EROSION OF DIVERSITY IN OUR LOCAL MARKETS. THE OTHER PROVIDES FOR MAINTENANCE OF RATIONAL OWNERSHIP RESTRICTIONS TO ALLOW LOCAL MEDIA OUTLETS TO RETAIN SOME ABILITY TO CONTROL AND DISSEMINATE LOCALLY RELEVANT NEWS AND INFORMATION, AS WELL AS PROGRAMMING THAT IS UNIQUELY SUITED TO THEIR PARTICULAR COMMUNITY.

THAT IS WHY I AM CONSIDERING LEGISLATION, ALONG WITH SENATORS INOUE AND DORGAN, THAT WILL HOPEFULLY RESTORE SOME SENSE TO TODAY'S DEBATE. OUR BILL, WHICH WE MAY INTRODUCE TODAY, REQUIRES FCC LICENSEES TO ALERT THE COMMISSION WHEN THEY ACQUIRE A NEWSPAPER THAT CREATES A CROSS OWNERSHIP SITUATION. THE FCC IS THEN DIRECTED TO REVIEW THE APPROPRIATENESS OF THE ACQUISITION, AND DETERMINE WHETHER ANY ACTION IS NEEDED TO BRING THE LICENSEE IN COMPLIANCE WITH THE RULE.

IN ADDITION, OUR BILL REQUIRES THE FCC TO REPORT TO THIS COMMITTEE, AND TO THE HOUSE COMMITTEE ON COMMERCE, WITH ANY PROPOSED RULE CHANGES THAT WOULD RELAX OR REPEAL EXISTING MEDIA OWNERSHIP LIMITS. SUCH PROPOSED CHANGES COULD GO INTO EFFECT 18 MONTHS AFTER WE RECEIVE SUCH A REPORT - WHICH MUST INCLUDE THE FCC'S EXPLANATION OF HOW ITS RULES CHANGES WILL PROMOTE COMPETITION, DIVERSITY, AND LOCALISM IN THE PUBLIC INTEREST.

I LOOK FORWARD TO TESTIMONY FROM TODAY'S WITNESSES. THESE ARE IMPORTANT TOPICS - MORE IMPORTANT IN MANY WAYS THAN THE TYPICAL DEBATES BETWEEN COMPETING INDUSTRY SECTORS. TODAY WE DEBATE THE IMPACT OF MEDIA OWNERSHIP ON THE DIVERSITY OF OUTLETS, VIEWPOINTS, AND ULTIMATELY, THE DISCOURSE OF OUR DEMOCRACY.